

01 June 2020

CIRRUS
SECURITIES

Private Sector Credit Extension

	N\$ Million	Change in N\$ Million		% Change	
	Outstanding	MoM	YoY	MoM	YoY
Individuals	58,732.7	-416.0	3,149.7	-0.7	5.7
- Mortgage Loans	40,343.4	-61.5	2,006.3	-0.2	5.2
- Other Advances & Loans	8,016.4	-102.7	1,460.5	-1.3	22.3
- Overdraft	2,379.3	-20.8	215.8	-0.9	10.0
- Installment Credit	6,384.2	-218.7	-472.5	-3.3	-6.9
Businesses	42,921.5	-671.1	485.2	-1.5	1.1
Total PSCE	102,415.6	-1,240.1	3,322.6	-1.2	3.4

Growth in credit extended to the private sector moved down significantly in the month of April 2020 with YoY growth of 3.4%, 244 bps lower than was experienced in March. Moreover, growth was 3.65 percentage points slower as compared to April 2019. This resulted in MoM and YoY extensions of -N\$1.2 billion and N\$3.3 billion, respectively, to an outstanding amount of N\$102.4 billion. Both extension growth to individuals and businesses slowed over the month moving down 158 bps and 346 bps to 5.7% and 1.1%, respectively. Non-resident extension growth continued to act as a drag on growth contracting by 29.1% annually to N\$761 million.

Individuals

Credit extended to individuals grew 5.7% annually, or N\$3.1 billion, a decrease of 1.6 percentage points as compared to the previous month. Credit extension to individuals experienced MoM growth of -0.7%. This is the 19th occurrence of a contraction in MoM credit extended individual growth in our time series, dating back to April 2002. Additionally, monthly repayments were observed across all credit line items. This resulted in an outstanding amount of N\$58.7 billion in credit to individuals.

	One Month Change (Millions)	One Year Change (Millions)	MoM	YoY
Households	-416.0	3 149.7	-0.7	5.7
Loans and Advances	-185.0	3 682.6	7.8	7.8
<i>Mortgage Loans</i>	-61.5	2 006.3	-0.2	5.2
<i>Other Loans & Advances</i>	-102.7	1 460.5	-1.3	22.3
<i>Overdrafts</i>	-20.8	215.8	-0.9	10.0
Instalment Credit	-218.7	-472.5	-3.3	-6.9
Leasing Transactions	-1.3	-11.0	-17.8	-17.8
Other Claims	-10.9	-49.4	-3.1	-3.1

CIRRUS
SECURITIES

Mortgage extension growth moved down with extension growth of 5.2%, 0.7 percentage points lower than was experienced in March 2019 thus extending the downward trend in the line since November 2018, after an uptick in the previous month.

Other loans and advances continued to grow in excess of 20.0%, annually, however slowed down a further 3.8 percentage points, over the month, to 22.3%. Similarly, growth in this line, on a monthly basis, amounted to -1.3%. This strong growth is indicative of weak household balance sheets as household indebtedness remains high. Moreover, as more individuals' incomes come under pressure, due to income revisions and retrenchments, these short-term facilities will continue to be utilised to finance income shortfalls.

Growth in overdrafts slowed by 5.5 percentage points, as compared to March, amounting to an annual growth of 10.0%. The relatively strong growth here is a further indication, in the context of the surge in other loans and advances, of strained households using short-term facilities to fund their expenditure over the festive period.

Instalment credit continued to post negative growth for the 31st consecutive month, with annual growth of -6.4%. In the month of April, due to the lockdown of two core economic regions, thereafter followed by the whole country, resulted in new vehicle sales declining 94.6% YoY and 93.4% MoM.

Businesses

Growth in credit extended to businesses moved down significantly into April, both on an annual and a monthly basis, with respective decreases of 6.6 and 3.5 percentage points. This translated into monthly and annual extension growth figures of -1.5% and 1.1%, respectively, with outstanding extensions of N\$42.9 billion to businesses, an annual increase of N\$485 million. This annual growth is the lowest observable growth since December 2005 and is the first monthly contraction since March 2015. Moreover, on a monthly basis, net repayments were experienced across 5 line items namely, mortgage loans, other loans and advances, instalment credit, leasing transaction and other.

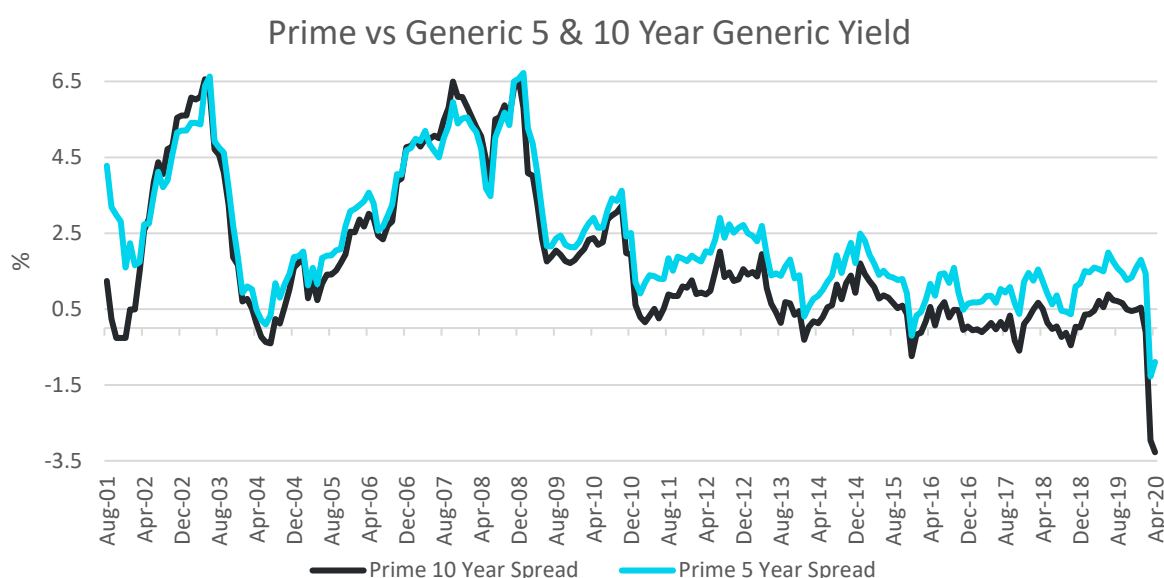
	One Month Change (Millions)	One Year Change (Millions)	MoM	YoY
Businesses	-671.1	485.2	-1.5	1.1
Loans and Advances	-399.7	325.9	-1.3	1.1
<i>Mortgage Loans</i>	-168.7	-14.5	-1.3	-0.1
<i>Other Loans & Advances</i>	-276.6	787.3	-3.3	10.6
<i>Overdraft</i>	45.6	-446.9	0.5	-4.3
Instalment Credit	-51.0	-273.3	-1.4	-7.1
Leasing Transactions	-6.9	-68.6	-2.7	-21.5
Other	-213.4	501.1	-2.5	6.5

The slowing extension growth was largely due to net repayment of short-term debt facilities utilized by businesses. Growth in overdrafts moved down significantly into April with annual growth of -4.3%, 3.1 percentage points lower than was experienced in the prior month. Monthly this translated into growth of 0.5% and amounted to N\$9.9 billion. Moreover, growth in other loans and advances saw monthly and annual growth of -3.3% and 10.6%,

respectively. On an annual basis, other loans advances slowed to the lowest level since February 2018.

Moreover, other claims saw a significant slowdown in growth on an annual basis moving down 8.7 percentage points down to 6.5% totalling N\$8.2 billion in April.

The slowdown in extensions to business is not unanticipated as supply side effects will dampen extension growth due to risk management. Given the weak balance sheets of businesses, having dealt with 4 years of zero to no economic growth, a dampened outlook for the economy in 2020 and increasing non-performing loans, banks will continually extend credit more stringently to creditors. Moreover, banks will continue to amend their asset management strategies and participate more in government debt auctions as the spread between administered and market determined rates are at historic lows.



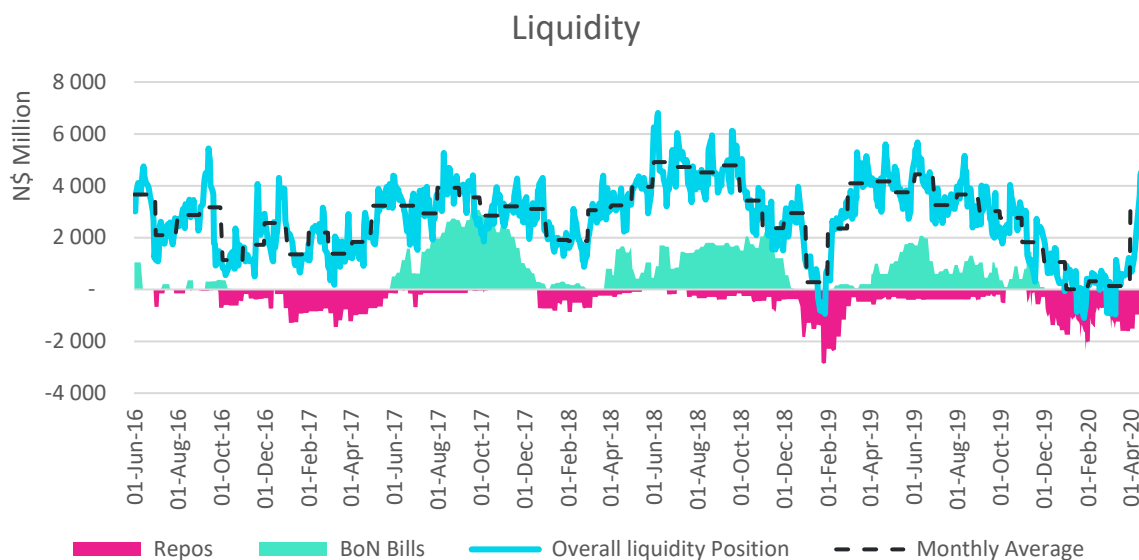
Interest Rates

On 21 May, the South African Reserve Bank (SARB) continued its cutting cycle and elected to cut its repo rate by 50 bps to 3.75% thereby creating a 50 bps spread between Namibia's and South Africa's repo rates. The Namibian Monetary Policy Committee is set to meet on 17 June 2020 and a cut of 50 bps can be rationalised due to low inflation, a weak economic outlook and a strong reserve position. However, the impact of accommodative monetary stances on the economy is dwindling significantly and further reductions in the repo rate will not improve the economic situation. Moreover, further reductions in the repo rate worsens the spread between administered and market determined rates thus leading to a further crowding out of the private sector.

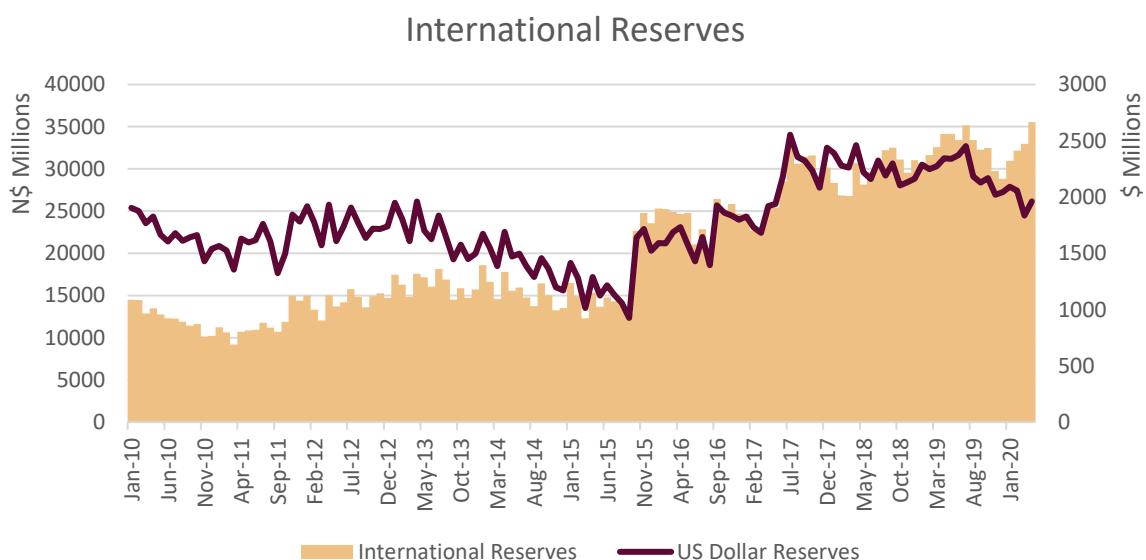
Liquidity

Liquidity improved significantly in April averaging above N\$1 billion for the first time in 2020. Liquidity in April averaged N\$3.2 billion as compared to N\$131 million in the prior month. The

high liquidity level during the period under review was primarily due to fiscal operations observed in the month. The government made several other payments in April such as the Covid-19 stimulus package and VAT refunds thus contributing to the observed spike in liquidity levels. Moreover, the increase was associated with a N\$5.6 billion SACU receipt received.



International Reserves



Foreign reserves continued improve into April, on a monthly basis increasing by 7.8% to N\$35.5 billion, representing a value increase of N\$2.6 billion. Moreover, reserves improved on an annual basis growing by 4.1%. During this period the ZAR experienced a depreciation relative to the USD. The increase was mainly due to inflow of SACU receipts received during the month of April and exchange rate revaluations due to the depreciation of the Namibia dollar against major currencies.